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CONFIDENTIAL AND INADMISSIBLE
SETTLEMENT COMMUNICATION

March 28, 2001

Craig Melodia
Assistant Regional Counsel
Region 5, USEPA
C-14J
77 West Jackson Blvd.
Chicago, Ill. 60604-3590

Re: Skinner Landfill---Aeronca Inc.

Dear Craig:

I am writing in response to your letter of March 20, 2001, proposing that Aeronca settle its liability for response costs at the Skinner Landfill by paying $592,644. As I indicated on the telephone, Aeronca is interested in working with you to promptly resolve its liability at that site. However, for the reasons that follow, we feel that the amount stated in your letter is unfairly high.

The figure of $592,644 was first presented to us by the group of companies that are performing the remedy ("the Work Group") in a settlement demand letter dated September 20, 1999 (copy enclosed). The letter explained that the figure is derived as follows: $2.04 million (Work Group's past costs), plus $3.93 million (federal government's past costs), plus $15.6 million (estimated Work Group's future costs) equals approximately $21.5 million. Multiplying that total by the allocator's assignment to Aeronca of 2.13% of site costs, and adding a 40% cash-out premium, yields approximately the stated amount. (I recognize that the math underlying the above figure is not precisely accurate, but that is what appears in the letter.)

Upon receipt of the letter, I telephoned the author of the letter, Michael J. O'Callahan, and inquired whether the Work Group would negotiate a lesser figure. In response, I received a letter of October 21, 1999 (copy enclosed), in which the Work Group agreed to accept a 10% reduction plus a further subtraction of $47,000 representing money paid by Aeronca to the group that performed the interim remedial measures. Although the letter did not quote the revised settlement demand figure, my calculation is $486,380 ($592,644 multiplied by .9 less $47,000).

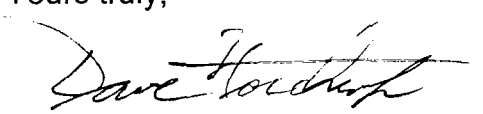
On November 19, 1999, I wrote to Mr. O'Callahan, arguing that the reduced figure is still too high (copy enclosed). I noted that the Work Group's estimated future costs, as set forth in the draft Consent Decree, were $10.5 million, and not $15.6 million. Moreover, the 40% premium would have the effect of placing Aeronca's assigned share far higher than the 2.13% assigned by the allocator.

There are also substantial problems with the allocator's percentage allocation. First, it assumes that USEPA will assume none of the orphan share identified by the allocator. As you know, USEPA is paying a substantial portion ($2.6 million) of that share. Second, and by far the greatest flaw of the allocation report, is that it assigns shares based upon only one factor---waste-in volume. All of the other "Gore factors" were ignored, contrary to controlling Sixth Circuit case law requiring consideration of all Gore factors when allocating response costs. Aeronca has consistently argued that its waste (spent potassium permanganate) was not toxic, and did not in any way contribute to site hazards. Indeed, Aeronca's waste may have improved site conditions by impeding the leaching of naturally-occurring manganese from soil to ground water (please see the Woodward-Clyde report that I sent to you previously). A fair settlement of Aeronca's liability must take this factor into account.

Thus, we propose the following. The total of the Work Group past costs ($2.04 million) and future costs as estimated in the Consent Decree ($10.5 million) equals $12.54 million. Add to that the government's past costs of $3.93 million, and the total equals $16.47 million. Taking into account favorable Gore factors (toxicity and cooperation in implementing the interim remedial measures), Aeronca's percentage share should be 1.25% of these costs, less a credit of $47,000 for interim remedial measures, yielding a total payment of $158,875. We offer that amount in return for a complete release and contribution protection.

We look forward to concluding a settlement in the near future. Please contact me after your review of the above.

Yours truly,



David E. Northrop

Cc: John Furbay